SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I May 1985

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		300.5	154.6	106.8	106.7	283.2	125.6	88.1	165.7	129.1
Alexandria	146.9	261.1	100.0	102.9	N.A.	146.7	161.1	94.7	179.0	N.A.
Bristol	142.0	28.2	96.4	91.8	79.6	116.9	106.2	85.6	162.9	273.5
Cape Charles - Exmore	123.9	91.8	394.0	95.8	N.A.	91.9	N.A.	N.A.	115.3	109.8
Charlottesville	178.4	165.5	250.2	102.4	N.A.	131.3	104.9	112.0	214.5	259.3
Danville	124.9	N.A.	193.5	113.2	124.1	111.5	99.3	89.4	116.8	210.3
Franklin	147.9	N.A.	143.0	915.3	116.5	114.8	N.A.	107.3	140.5	207.8
Fredericksburg	175.2	133.1	219.7	N.A.	150.7	164.5	N.A.	57.6	197.2	261.8
Harrisonburg	164.3	41.0	256.1	N.A.	138.9	111.3	N.A.	126.9	180.2	232.7
Lynchburg	195.2	257.0	103.0	102.6	N.A.	134.6	96.1	115.5	142.4	586.8
Newport News - Hampton	133.9	161.0	201.6	93.8	90.6	104.2	125.7	110.2	179.4	N.A.
Norfolk - Va. Beach - Portsmouth	157.5	341.6	215.6	115.3	95.2	119.6		76.7	231.9	N.A.
Petersburg	124.2	111.0	97.7	N.A.	47.7	93.0	115.9	90.8	144.4	204.6
Richmond	129.2	322.5	100.0	120.6	127.9	130.6		101.2	141.4	N.A.
Roanoke	150.8	349.1	188.5	92.0	167.2	96.7	111.7	105.1	168.6	239.5
Staunton	125.8	115.2	35.4	N.A.	N.A.	114.1	N.A.	N.A.	104.3	202.1
Williamsburg	147.2	200.7	273.7	129.3	N.A.	139.8	N.A.	94.1	136.0	258.0
Winchester	178.2	236.8	83.5	111.2	204.2	136.7	N.A.	124.2	N.A.	314.9

TABLE II May, 1985

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	APRIL NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	APR. RETAIL SALES ‡
The State		-2.6	21.9	4.3	6.5	17.2	4.3	6.1	3.7	12.3
Alexandria	9.0	-5.5	45.3	10.0	N.A.	15.3	8.1	4.4	8.0	17.5
Bristol	7.1	18.3	36.0	-7.5	15.3	5.9	4.7	16.3	6.5	-1.4
Cape Charles - Exmore	2.8	-16.0	-55.0	3.9	N.A.	-6.2	N.A.	25.1	-2.1	13.9
Charlottesville	10.1	19.4	38.3	11.1	N.A.	41.4	3.2	-14.0	7.3	1.2
Danville	-6.0	N.A.	-17.1	-4.4	6.2	5.0	2.0	0.1	-16.3	-3.4
Franklin	1.0	N.A.	33.9	2.0	5.0	7.1	N.A.	-10.7	1.2	46.3
Fredericksburg	2.3	-32.4	214.5	N.A.	11.0	19.4	N.A.	9.1	-8.5	19.7
Harrisonburg	-1.3	-17.0	350.7	N.A.	5.5	9.7	N.A.	6.2	-9.7	8.3
Lynchburg	2.9	23.2	38.7	1.9	N.A.	-1.2	1.2	1.5	5.1	0.6
Newport News - Hampton	14.8	11.0	96.5	7.0	10.4	13.2	4.2	17.2	18.6	1.3
Norfolk - Va. Beach - Portsmouth	5.8	-16.7	14.4	-2.5	12.9	17.2		-0.1	4.4	15.0
Petersburg	6.3	-3.6	298.3	N.A.	-9.6	2.5	2.5	3.5	13.7	11.8
Richmond	6.7	-4.5	-2.1	6.2	4.4	12.9		15.7	2.6	11.4
Roanoke	4.6	9.3	-65.4	1.1	4.0	18.3	4.7	-5.6	4.8	7.1
Staunton	-3.0	8.4	116.7	N.A.	N.A.	0.6	N.A.	N.A.	-4.2	-4.8
Williamsburg	8.1	-23.4	-54.4	10.5	N.A.	18.8	N.A.	18.6	0.3	23.5
Winchester	6.0	41.2	328.7	1.9	-6.7	28.1	N.A.	0.6	N.A.	2.1

TABLE III

Percentage Change January - May same period last year

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	JAN.-APR. NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	JAN.-APR. RETAIL SALES‡
The State		1.9	13.9	3.0	7.5	10.1	4.7	4.4	7.9	9.5
Alexandria	7.1	-7.6	82.1	4.3	N.A.	0.9	9.4	8.9	9.5	13.7
Bristol	10.8	-13.5	112.6	-2.9	8.8	-4.1	3.7	7.8	21.9	-0.2
Cape Charles - Exmore	-0.7	-27.6	-14.6	0.8	N.A.	-7.7	N.A.	5.2	-0.9	6.2
Charlottesville	2.7	14.8	-63.1	2.5	N.A.	7.6	4.8	-1.1	2.4	-6.1
Danville	-3.6	N.A.	-55.5	-3.8	9.5	-9.3	1.7	3.7	-8.5	-1.7
Franklin	1.7	N.A.	248.5	1.1	1.0	-3.5	N.A.	-1.3	4.9	20.2
Fredericksburg	2.7	-8.2	165.7	N.A.	9.8	8.1	N.A.	3.4	-1.7	17.5
Harrisonburg	10.6	-2.4	41.3	N.A.	9.2	16.9	N.A.	4.1	11.1	5.2
Lynchburg	8.9	-6.3	44.2	-1.0	N.A.	2.7	1.1	1.0	16.8	1.5
Newport News - Hampton	11.4	-0.3	25.8	3.6	9.0	2.2	4.8	13.9	17.0	8.5
Norfolk - Va. Beach - Portsmouth	7.4	13.8	0.2	3.7	11.8	6.0		-3.5	11.3	13.1
Petersburg	7.4	-8.5	74.5	N.A.	-10.8	-9.2	2.1	2.2	20.7	9.4
Richmond	6.0	-1.3	98.5	3.8	3.6	1.9		11.7	7.0	9.8
Roanoke	2.7	9.9	5.8	2.6	5.2	6.5	5.2	-6.6	3.8	2.6
Staunton	-1.7	14.6	159.6	N.A.	N.A.	2.4	N.A.	N.A.	-3.0	4.9
Williamsburg	6.0	-19.6	-25.0	6.3	N.A.	5.5	N.A.	0.9	7.7	30.4
Winchester	2.7	15.1	53.8	0.5	9.6	3.0	N.A.	-2.2	N.A.	3.6

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
[Only total MSA data are available for these areas.

Interpreting the GNP Flash

On June 20 the U.S. Department of Commerce released its "flash" estimate of the nation's second quarter output, projecting that the real (inflation-adjusted) Gross National Product (GNP) grew at a 3.1 percent annual rate.

As usual, the flash estimate of real GNP got broad media coverage, drew a wide range of comments from government and private economists, and caused a reaction in the financial markets. How should the flash reports be interpreted by the public? This is an appropriate time to discuss that question and offer your opinion.

Don't be blinded by the flash. It is not like a picture taken on a set illuminated with brilliant floodlights, showing in clear detail the nation's recent economic performance. Instead, it is more similar to a photographer's description of a room's contents, based on a photograph taken in a dark room with a narrow beam flashlight which makes only a few objects visible in the picture. The photographer was there, but with a view not much clearer than the one shown in the photograph.

The second quarter includes April, May, and June. But the flash estimate was released on June 20, before the June data are available. In fact, all flash estimates are based primarily on the data for the first month of the quarter, in this case April, supplemented by some preliminary reports for the second month. Therefore the flash estimate is mainly a *forecast* for the quarter, subject to substantial forecasting errors.That difference generally is not mentioned in television coverage; and newspapers usually describe how the flash estimate is obtained in the second half of the story, if at all. The result is far more significance is attached to the flash estimate than it deserves. Granted, the forecast is prepared by people whose job is obtaining and evaluating the data used in GNP estimates; but it still is a forecast, one of many predicting what happened (and for June, what will happen) in the second quarter.

The only certainty about the June flash estimate is it will be revised: in July, August, and September of 1985 and again, usually in July, in 1986, 1987, and 1988, plus in the major benchmark revisions of historical data. These revisions are an ongoing process as data become available to replace forecasted components and adjust the prior estimates which were based on samples and preliminary information. In our opinion, the way to view the flash estimate of real GNP and its growth rate is "Okay, we have the Federal government's best guess. How much, and in what direction, is that guess likely to be revised in coming months?"

The historical record of the estimated growth rates and the revisions in them provides useful insights for interpreting the flash estimates. Table IV is taken directly from the May 21, 1985 issue of *U.S. Department of Commerce News* and shows for the period 1974-1983 the average absolute size of the revisions in their quarterly estimates as well as the range of the revisions. The four quarterly estimates evaluated are the flash estimate released before the end of the quarter; the first revision, released in the second month; and the second revision, published in the third month at the time of the next flash estimate. The sizes of the revisions were calculated by comparing each of the early estimates against the latest estimates available for each quarter which are the future year's revisions, usually made in July. For the period 1974-1983, the average absolute revision in the flash estimate was 1.7 percentage points. The same 1.7 percent revision also occurred for the preliminary estimates. The average absolute error of the current estimates then declined with the first revision. For the second quarter 1985 GNP data, that first revision is scheduled for release on August 20.

The second column of Table IV gives the range within which two-thirds of the revisions fell. That is the information the Department of Commerce quotes in each GNP release. For example, two-thirds of the revisions in the flash estimates have been between a decrease of 0.9 percent from the current flash and an increase of 2.8 percent. Therefore the June 20 news release contains the following statement: "Thus, based on past experience, it is likely that the second-quarter change in real GNP, now estimated at 3.1 percent at an annual rate, will not be revised below 2.2 (3.1 - 0.9) or above 5.9 (3.1 plus 2.8) percent" (parentheses added). In sum, the longer-term history indicates the upward revisions in the flash estimate *normally* have been substantially larger than the downward ones. The next question is whether the more recent economic performance can be considered normal.

The recent quarterly values for the flash estimates as well as the preliminary, first, and second revision estimates are given in Table V. We will focus on the flash estimates and the second revisions made three months later. Looking just at the flash estimates, the *early* data for the first quarter of 1984 (1984:1) through the first quarter of 1985 (1985:1) have indicated a steady decline in the nation's real growth rate: from 7.1 percent in 1984:1 to 2.1 percent in 1985:1. Against that pattern, the June 20 flash estimate of a 3.1 percent annual growth rate during 1985:2 is an encouraging reversal. The quarterly differences between the flash and the second revision estimates, however, show the volatility of recent estimates, particularly in the downside revisions. The upward revisions in 1984:1 of plus 1.5 percentage points and plus 1.4 in 1984:2 were within the usual limits. Then, the unusually large downward revision of -2.0 percent occurred in 1984:3, showing the early data used for the September flash estimate did not indicate the magnitude of the softness in real output continuing into September. The fourth quarter of 1984 (1984:4) followed the opposite pattern: the December flash estimate of 2.8 percent was revised upward in March, 1985 to 4.3 percent, an increase of 1.5 percentage points. The true strength of the fourth quarter rebound was not apparent until more complete data were available on business inventories and foreign trade. In the first quarter of 1985 the flash estimate was a 2.1 percent annual rate of real GNP growth, below the average private sector forecast of 3.6 percent as reported in the January 10 issue of *Blue Chip Economic Indicators*. Then the growth estimates successively were revised downward, quite unexpectedly and by an abnormally large percent, to the June 20 second revision of a 0.3 percent annual growth rate. The downward revision of -1.8 percentage points was caused largely by data on the first-quarter surge in imports which held U.S. output growth essentially at zero while domestic demand was growing at 4.0 percent.

The Department of Commerce flash estimate based mainly on April data projected a 3.1 percent annual growth rate in the second quarter, a substantial rebound by comparison to either the first quarter's flash or second revision estimates. Which way the 3.1 percent will be revised depends largely on what happened in June. Did import growth slow down sufficiently, and was private consumption demand for U.S. goods and services high enough, to produce an additional net stimulus in June? We believe such a net stimulus did occur, so the revisions through September 20 are likely to reveal a small upward adjustment in the second quarter's growth rate for real GNP. We recommend you formulate your *own* estimate of what the revised second quarter real growth rate will be in the September 20 press release.

RLP

TABLE IV

Revision in Quarter-to-Quarter Percent Changes At Annual Rate For Real (constant-dollar) GNP, 1974-1983

Quarterly Estimate	Average without regard to sign	Range	
		Two-thirds of Revisions	Nine-tenth of Revisions
Flash	1.7	- .9 to 2.8	-2.4 to 4.5
Preliminary	1.7	-1.2 to 2.8	-2.4 to 3.5
First revision	1.5	-1.4 to 1.9	-2.1 to 2.8
Second revision	1.4	-1.6 to 1.5	-2.4 to 2.7

TABLE V

Flash Through Second Revision Estimates of Quarter-to-Quarter Percent Changes at Annual Rate For Real (constant-dollar) GNP, 1984:1 Through 1985:1

Quarterly Estimate	1984:1	1984:2	1984:3	1984:4	1985:1
Flash	7.2%	5.7%	3.6%	2.8%	2.1%
Preliminary	8.3	7.5	2.7	3.9	1.3
First Revision	8.8	7.6	1.9	4.9	.7
Second Revision	8.7	7.1	1.6	4.3	.3

Source: U.S. Department of Commerce News

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 301 July 1985

Business in Virginia June, 1985 Data

The Virginia economy's growth is continuing to slow down in comparison to last year, as expected. That phrase will be repeated in the coming months since the deceleration to more normal, sustainable growth is not yet complete. However, there are no signs that the Commonwealth's economy will grind to a halt later in 1985.

You are very likely to disagree if you now glance at the June growth rates shown in Table II--the number of minus signs is shocking at first. Some do indicate true weakness at the present, but most of them do not. Comparisons are a useful method for gaining a perspective. However, one always must be mindful that two numbers are involved. Do you feel tall? Subtract Ralph Sampson's height from yours and you will get a minus sign. You did not shrink, you just used an unusual basis for comparison. For two of our business indicators, building permits and new car registrations, the June 1984 basis for comparison was unusually high in many of Virginia's cities. Therefore the year-over-year percent change this June is negative for such cities. A plus sign in such a case would be great news, showing continued unusually high growth. The minus sign, however, is not *bad* news under the circumstances. In the July 1984 issue we reported building permit gains of over 100 percent in June 1984 for 7 areas. Reviewing those numbers you would have predicted they would be hard to beat this year, and you would have had an excellent forecasting record: 6 of those 7 areas showed year-over-year declines in June 1985. In sum, most of the June minus signs for building permits do not indicate an unfavorable construction outlook, and next month's more universal plus signs will not indicate a sudden turnaround. The construction picture was favorable in June and remains favorable in July.

The June automobile registration growth rates in several cities also are the result of comparisons to very high levels a year ago. However, the fact that all of the cities showed declines in June indicates a broader leveling off in automobile demand.

The major real weakness among our business indicators is in the retail sales sample, which primarily consists of general merchandise establishments. The Statewide decline of 1.1 percent implies a continuation of the shift we discussed last month in consumer buying: more emphasis on services, especially travel and recreation, at the expense of general merchandise purchases. The taxable sales reports for May are not available at this time (hence the "N.A.'s" in the last column of Table II) so we do not have additional quantitative evidence for Virginia. However the national reports of a June decrease in retail sales concurrent with an increase in personal consumption expenditures imply there was such a shift nationally. As stated last month the net effect on Virginia will be positive, even though some businesses are being adversely effected. The bad news is reported by our retail sales sample. The good news, which is *not* measured by any of the current month's economic indicators, is the shift is generating high growth in recreation, attractions and motel and restaurant receipts. Therefore the broadly distributed minuses shown for the retail sales sample are only part, and the negative part, of the current situation for Virginia retailers.

June and July 1984 data patterns make a significant portion of this summer's results more difficult to interpret. Close scrutiny yields a generally favorable assessment of the Commonwealth's economic health, which is reinforced by May's 3.9 percent growth in nonagricultural employment — still decelerating, but still strong. The Commonwealth has not come up short, in spite of the minuses among the reported year-over-year changes. RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

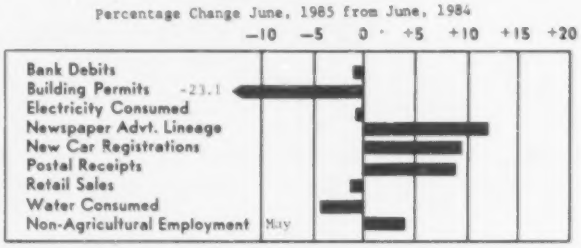
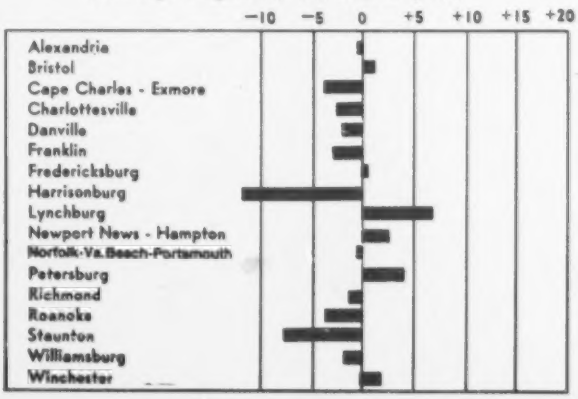


Chart II

City Indices



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The State		286.0	169.7	123.8	108.2	289.2	285.6	93.0	149.0	126.7
Alexandria	141.4	250.3	650.5	127.8	N.A.	143.0	163.4	87.5	156.1	N.A.
Bristol	135.2	31.5	43.9	84.8	84.4	107.9	106.2	99.9	141.7	308.6
Cape Charles - Exmore	146.5	58.7	274.7	110.5	N.A.	102.4	N.A.	N.A.	134.6	262.5
Charlottesville	162.1	218.9	98.0	116.4	N.A.	157.2	105.4	114.7	177.4	270.6
Danville	134.0	N.A.	79.5	110.9	124.0	90.6	99.0	92.3	148.9	242.4
Franklin	133.5	N.A.	9.1	107.4	112.6	124.6	N.A.	103.6	126.8	239.3
Fredericksburg	209.4	84.2	368.7	N.A.	128.5	185.7	N.A.	58.9	210.0	462.4
Harrisonburg	147.5	255.3	318.9	N.A.	130.8	105.4	N.A.	128.6	138.3	252.5
Lynchburg	190.0	397.0	316.7	108.8	N.A.	112.2	97.0	131.5	176.2	542.0
Newport News - Hampton	129.3	183.2	260.3	112.9	89.7	110.9	127.3	125.3	156.0	N.A.
Norfolk - Va. Beach - Portsmouth	146.1	278.5	192.3	137.8	104.4	115.4		76.7	196.1	N.A.
Petersburg	117.9	108.0	81.4	N.A.	41.3	74.9	116.2	101.3	133.6	208.7
Richmond	135.4	281.7	159.5	139.0	124.2	121.8	N.A.	112.7	110.0	255.2
Roanoke	143.9	503.4	60.8	93.7	157.2	91.6	113.0	98.2	155.9	273.8
Staunton	131.8	116.0	36.9	N.A.	81.9	88.2	N.A.	N.A.	128.7	234.7
Williamsburg	163.0	144.2	217.3	158.4	N.A.	141.5	N.A.	122.6	126.7	338.5
Winchester	167.8	261.3	177.3	116.6	194.3	140.2	N.A.	118.2	N.A.	269.8

TABLE II June, 1985

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	MAY NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	MAY RETAIL SALES ‡
The State		-1.0	-23.1	-0.7	12.0	9.7	3.9	-4.5	-1.1	N.A.
Alexandria	-0.4	-3.3	-27.1	0.5	N.A.	-7.8	7.8	-15.2	4.0	N.A.
Bristol	0.8	6.3	-76.4	-5.4	23.0	-16.4	4.3	7.2	-2.0	N.A.
Cape Charles - Exmore	-4.0	-23.4	19.5	-0.8	N.A.	-3.1	N.A.	-4.0	-5.3	N.A.
Charlottesville	-2.9	31.1	-62.4	-2.1	N.A.	-13.9	2.3	-6.8	-0.7	N.A.
Danville	-2.2	N.A.	-69.8	-8.4	19.5	-19.3	1.3	-1.4	-3.1	N.A.
Franklin	-3.1	N.A.	-48.4	-5.1	4.5	-15.6	N.A.	6.2	-4.0	N.A.
Fredericksburg	0.4	1.6	-17.4	N.A.	-4.1	-12.4	N.A.	-8.2	9.1	N.A.
Harrisonburg	-12.1	24.6	136.5	N.A.	5.9	-16.6	N.A.	4.2	-22.0	N.A.
Lynchburg	6.7	50.7	-2.1	-4.1	N.A.	-23.4	1.0	13.3	20.0	N.A.
Newport News - Hampton	2.4	-13.1	6.4	0.4	15.8	-14.6	3.9	3.7	3.5	N.A.
Norfolk - Va. Beach - Portsmouth	-0.2	6.9	-27.0	1.5	13.8	-18.7		-12.5	3.5	N.A.
Petersburg	3.9	-6.3	-80.5	N.A.	8.2	-17.0	2.1	1.5	10.8	N.A.
Richmond	-1.9	-10.8	-47.6	-0.8	12.2	-8.6		-3.1	-5.7	N.A.
Roanoke	-4.1	28.5	2.8	-3.9	6.7	-10.7	5.1	-12.3	-6.0	N.A.
Staunton	-7.7	0.0	90.2	N.A.	11.5	-32.8	N.A.	N.A.	-5.7	N.A.
Williamsburg	-1.8	-20.0	19.7	2.5	N.A.	-21.2	N.A.	18.3	-3.5	N.A.
Winchester	1.4	8.5	227.3	0.7	13.7	-6.3	N.A.	-2.5	N.A.	N.A.

TABLE III

Percentage Change January - June from same period last year

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JAN.-MAY NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	JAN.-MAY RETAIL SALES‡
The State		1.4	6.2	3.0	8.1	10.0	4.6	3.1	5.9	N.A.
Alexandria	6.5	-6.8	42.6	3.7	N.A.	-0.9	9.1	8.3	8.4	N.A.
Bristol	1.3	-8.6	50.4	-3.2	11.1	-6.9	3.8	7.7	-0.7	N.A.
Cape Charles - Exmore	2.9	-27.0	-9.6	24.7	N.A.	-6.7	N.A.	3.5	-1.4	N.A.
Charlottesville	2.3	16.5	-63.0	1.7	N.A.	2.5	4.2	1.8	1.9	N.A.
Danville	-0.3	N.A.	57.5	-4.6	11.4	11.2	1.6	2.7	-8.2	N.A.
Franklin	1.1	N.A.	229.7	0.1	1.6	-3.7	N.A.	0.0	3.2	N.A.
Fredericksburg	2.2	-6.6	103.9	N.A.	7.4	3.5	N.A.	1.3	0.4	N.A.
Harrisonburg	5.3	9.6	48.3	N.A.	8.6	9.0	N.A.	4.1	3.4	N.A.
Lynchburg	7.4	1.1	28.0	-1.5	N.A.	-3.2	1.1	3.0	17.5	N.A.
Newport News - Hampton	8.8	-2.6	21.9	3.0	10.1	-1.6	4.6	12.0	14.2	N.A.
Norfolk - Va. Beach - Portsmouth	5.6	12.6	-5.0	3.4	12.2	0.5		-5.2	9.7	N.A.
Petersburg	5.9	-8.2	-2.3	N.A.	-8.1	-10.7	2.1	2.1	18.6	
Richmond	4.0	-2.9	52.9	3.1	5.1	-0.2		8.7	4.4	N.A.
Roanoke	1.8	12.8	5.5	1.6	5.5	3.0	5.2	-7.6	2.1	N.A.
Staunton	-1.9	11.9	155.9	N.A.	-1.1	2.0	N.A.	N.A.	-3.5	N.A.
Williamsburg	7.4	-19.4	-20.0	27.7	N.A.	-0.9	N.A.	4.5	4.3	N.A.
Winchester	2.4	13.9	75.0	0.5	10.4	1.1	N.A.	-2.3	N.A.	N.A.

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
⊏Only total MSA data are available for these areas.

State and Urban Area Personal Income, 1980-1983

The *Virginia Business Report* usually focuses on current developments and the prospects for the near future. However, current data always are incomplete and subject to revision, so occasionally it is desirable to report and examine the past performance as more complete data become available. A look backward not only gives a clearer view of what actually transpired but also a better understanding of the forces which shaped the present economic environment.

Now is an appropriate time to review the Commonwealth's personal income levels and growth in the early 1980's since the Bureau of Economic Analysis of the U.S. Department of Commerce released on May 14, 1985, revised personal income and population estimates through 1983 for all states, cities, and counties. That is the normal time one must wait in order to have full data, especially for individual areas. A major source of information for preparing the estimates is individual and corporate tax returns, which for calendar year 1983 were not filed until 1984. Then, using that information along with other sources to prepare and check estimates for each city and county in the nation is a massive task, requiring many months even with the use of computers. When you consider what is involved, getting full 1983 data in May of 1985 actually is a remarkable accomplishment.

Personal income is all income received by individuals, before Federal and state income taxes. Its major component is wages and salaries, but it also includes social security receipts and welfare payments as well as rents, interest and dividends. Therefore it is a broad measure of before-tax receipts. The total personal income received in a state or city is not a very useful number for comparisons since the number of people supported by that income varies enormously from one area to the next. A better measure is personal income per capita, obtained by dividing the total personal income by the resident population, to show the average income received per resident. The per capita income figures, while not a perfect guide, do give a clearer view of the differences among areas in the average circumstances of individuals. In the following review of the per capita figures for different areas, bear in mind that the numbers are *not* a direct measure of the economic development *within* an area. A metropolitan area can achieve employment growth through additional jobs for commuters from outside of the area, with little change in resident income. Conversely, the residents of a metropolitan area may be getting jobs in other localities, raising resident income per capita without a comparable rate of job growth for the metropolitan area where they live. Our focus here is how individuals have fared, not how metropolitan areas have grown-that would be better shown by wages and salaries earned by place of work rather than personal income by place of residence.

In our brief report we cannot review the income in each city and county. Therefore in Table IV we have grouped the cities and counties according to the current Federal definitions of the State's Metropolitan Statistical Areas (MSAs) and the Commonwealth's definitions of Labor Market Areas (LMAs). There are three exceptions, corresponding to the tables regularly reported: the Eastern Shore, Accomack and Northampton Counties, which corresponds to our monthly Cape Charles-Exmore designations; the city of Franklin; and Williamsburg-James City County, which we report separately each month even though these localities also are part of the Norfolk-Virginia Beach-Newport News MSA.

In 1980 the Commonwealth's personal income per capita was $9,446, as shown in Table IV. We had gained ground in previous years, but that still was only 99 percent of the national average. In only two urban areas, the Virginia portion of the Washington, D.C., MSA (which we will refer to as Northern Virginia) and the Richmond-Petersburg MSA, was the average individual income above the national average. For 10 of the 17 areas shown, the per capita income was less that 90 percent of the national average, leaving substantial room for improvement.

Nationally, personal income per capita increased from $9,494 to $11,687 from 1980 through 1983, a 23.1 percent gain. However, bear in mind that the Consumer Price Index rose by 20.9 percent, so the real (inflation-adjusted) growth totalled only 2 percent. (Since all of the figures in Table IV are stated in current dollars, you can derive the real change for any area by subtracting 21 percent from the income growth rate). Sticking to current dollars, how well did the Commonwealth fare? As shown, Virginia's personal income per capita rose to $12,122, a 28.3 percent gain. That pulled Virginia from 99 percent of the national average to 104 percent, a very noteworthy accomplishment. However, what happened in individual areas is more relevant as a personal guide.

Scanning the last column of Table IV, residents of *all* of Virginia's urban areas had income growth rates above the national rate. In the Bristol MSA the gain was only a fraction of a percent higher, 23.4 percent versus 23.1 percent, which left that area with the same 71 percent of the nation's average income per person. At the other extreme, six of the areas had growth exceeding the State rate: the Norfolk-Virginia Beach-Newport News MSA; the Roanoke MSA; two LMAs, Harrisonburg and Winchester; and Williamsburg-James City County.

The growth from 1980 through 1983 resulted in resident income in two more areas, the Roanoke MSA and Williamsburg-James City County, reaching or exceeding the national average. Plus, the income per resident in the Charlottesville MSA and Harrisonburg and Winchester LMAs moved to 90 percent or more of the national average. However, 7 of the 17 areas still had average resident income below 90 percent of the U.S. average in spite of local income growth. The very high individual income in Northern Virginia in both 1980 and 1983, at 142 and 148 percent respectively of the national average, substantially influenced the State average. This obscured the fact that in most areas of the State the residents, even in 1983, did not yet have average receipts equal to the U.S. average personal income per capita. The Winchester LMA had the highest resident income growth rate in the State, 31.3 percent for the period 1980-1983, but at the end of 1983 even *its* residents still received only 94 percent of the nation's personal income per person.

Virginia residents did achieve above-average personal income gains between 1980 and 1983. As we pointed out in the March issue, above-average personal income growth also occurred in 1984 and can be expected in 1985 and 1986. But that does not mean that growth no longer needs to be a priority goal. The 1983 personal income data show residents of most areas of the Commonwealth at that time still needed several more years of above-average personal income growth in order to reach national parity. That remains true today, even after one and a half additional years of good economic growth in the Commonwealth.

RLP

TABLE IV

Levels and Growth of
Personal Income Per Capita in Virginia

Area	Personal Income Per Capita 1980	1983	Percent of National Average 1980	1983	Percent Change, 1980-1983
United States	$ 9,494	$11,687	100%	100%	23.1%
Virginia	9,446	12,122	99	104	28.3
Virginia Portion of Washington, DC MSA	13,495	17,348	142	148	28.6
Virginia Portion of Bristol MSA	6,727	8,302	71	71	23.4
Eastern Shore	6,860	8,794	72	75	28.2
Charlottesville MSA	8,414	10,900	89	93	29.5
Danville MSA	7,001	8,831	74	76	26.1
Franklin	5,995	7,647	63	65	27.6
Fredericksburg LMA	8,369	10,560	88	90	26.2
Harrisonburg LMA	7,568	9,766	80	84	29.0
Lynchburg MSA	8,261	10,444	87	89	26.4
Norfolk-Virginia Beach-Newport News MSA	8,785	11,314	93	97	28.8
Richmond-Petersburg MSA	10,229	13,039	108	112	27.5
Roanoke MSA	8,985	11,636	95	100	29.5
Staunton-Waynesboro LMA	7,980	10,187	84	87	27.7
Williamsburg-James City County	9,253	12,034	97	103	30.0
Winchester LMA	8,350	10,966	88	94	31.3

NOTES: MSA is the abbreviation for Metropolitan Statistical Area. The area definitions are those announced by the Federal Government on June 27, 1983, which all states switched to using in January, 1985. LMA is the abbreviation for Labor Market Area, as defined by the Virginia Employment Commission. Both MSA and LMA definitions are listed each month in Labor Force Estimates, published by the Virginia Employment Commission.

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THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 302 August, 1985

Business in Virginia July, 1985 Data

From January through June, the percentage changes in non-agricultural employment from the corresponding month in 1984 have been steadily declining. The January gain was 5.4 percent, followed by 4.8 percent in February; 4.7 in March; 4.3 in April; 3.9 in May; and 3.6 percent in June. As we go to press, the July employment figures are not yet available. However, the first half downward trend in this growth rate is strong evidence that the Virginia economy's overall growth has slowed down. But we **are** still growing at sufficient speed to hold or reduce our below-average unemployment rate in the months ahead. It will be several months before we have the State income data which will give a more precise measure of just how well Virginia is doing at the present. However, this month's inside article reports on the recent Federal release which showed Virginia's total personal income rose at a 10.4 percent seasonally adjusted rate in the first quarter of 1985, the third highest growth rate among the 50 states. Even with some easing in that rate of growth in the rest of 1985, the Commonwealth will do very well indeed.

The most favorable employment development in June was the increase from May to June in total manufacturing employment, an increase which was widely distributed across industries. The increase still left manufacturing employment below June of 1984. But, we expect manufacturing employment to continue to rise in the months ahead, helping to stabilize Virginia's employment growth as slower advances occur in trade and services employment.

The July retail sales sample reports for the State show substantial improvement compared to June. For July, the year-over-year increase was 5.7 percent Statewide. That is significantly better than the national year-over-year gain of 4.4 percent in total retail trade other than the automobile group. Our sample does not include hotels and restaurants, businesses which have had rapidly growing sales due to the very strong tourist season being experienced. Therefore when the full taxable sales data are available next month, that retail sales measure undoubtedly will reveal a growth rate significantly higher than 5.7 percent. The summer months are showing good growth for most types of Virginia retailers, thanks to the continued above average growth in Virginia residents' income and a large increase in tourists. The high value of the dollar did attract some Americans overseas, but increased domestic travel more than offset any impact in Virginia. Reviewing another consumer demand indicator, new car registrations in Virginia gained 6.1 percent in July compared to July 1984. That growth rate may bounce back to a higher level in the next month or two, but the durable goods boom of last summer is not being repeated at present. The most likely development is for new car registrations to average less than 10 percent growth for the year.

The surprise this month was the July decline in building permits to 21.1 percent below the level of July 1984. The improvement we anticipated after June's performance did not materialize. This indicator is extremely erratic from month to month, so the July figures should not be interpreted as a signal that our

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change July, 1985 from July, 1984

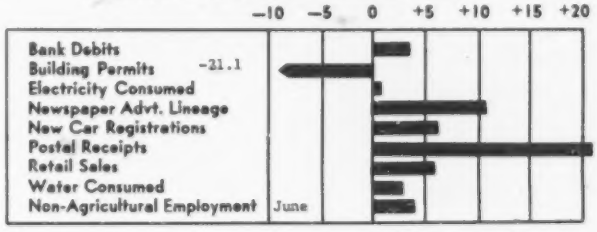
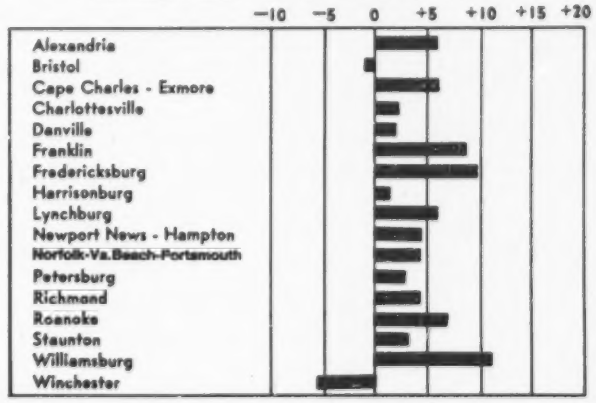


Chart II

City Indices

Percentage Change July, 1985 from July, 1984



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I July, 1985

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) = Base Period = 100

CITY	CITY INDEX *	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	June NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		302.0	151.9	137.6	92.8	321.9	294.3	96.6	158.2	128.3
Alexandria	136.4	282.3	226.2	143.3	N.A.	123.4	166.1	114.0	136.1	N.A.
Bristol	131.1	29.8	56.6	82.6	72.6	103.7	108.0	86.1	144.3	294.2
Cape Charles - Exmore	132.9	63.0	475.6	130.2	N.A.	82.9	N.A.	N.A.	131.0	191.5
Charlottesville	168.3	149.3	260.3	121.9	N.A.	138.5	107.1	123.9	202.0	249.1
Danville	127.8	N.A.	160.4	112.0	N.A.	102.8	99.3	90.0	N.A.	234.9
Franklin	145.7	N.A.	1550.3	118.1	95.5	93.4	N.A.	94.5	121.1	254.9
Fredericksburg	215.3	680.4	209.4	N.A.	142.6	151.8	N.A.	66.6	194.8	561.9
Harrisonburg	144.9	236.3	424.7	N.A.	121.8	88.2	N.A.	136.4	128.6	282.0
Lynchburg	209.4	413.2	109.7	111.4	N.A.	115.2	97.0	133.4	176.5	688.6
Newport News - Hampton	125.3	142.7	144.7	123.9	83.6	105.6	129.1	127.9	144.0	N.A.
Norfolk - Va. Beach - Portsmouth	148.7	289.9	217.4	161.2	90.2	102.8		85.5	200.3	N.A.
Petersburg	242.3	107.9	79.7	N.A.	39.2	63.7	117.0	106.0	123.4	N.A.
Richmond	145.7	307.5	48.5	155.6	107.3	114.5		115.0	138.4	258.2
Roanoke	168.1	462.6	59.3	103.3	162.5	88.0	114.5	72.6	168.3	277.9
Staunton	123.8	129.0	63.3	N.A.	77.0	90.9	N.A.	N.A.	109.9	245.3
Williamsburg	157.6	176.0	163.6	173.4	N.A.	143.2	N.A.	133.0	113.9	312.0
Winchester	151.7	300.3	510.1	122.6	174.4	100.6	N.A.	111.1	N.A.	249.9

TABLE II July, 1985

Percentage Change from same month last year.

CITY	CITY INDEX *	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	June NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	June RETAIL SALES ‡
The State		2.9	-21.1	0.6	10.1	6.1	3.6	2.8	5.7	7.1
Alexandria	5.5	8.8	-73.7	0.5	N.A.	-5.8	7.6	9.0	8.2	10.7
Bristol	-0.9	0.9	-38.5	-0.4	5.6	-0.5	5.0	-10.8	0.8	-8.0
Cape Charles - Exmore	6.0	-14.9	74.4	5.3	N.A.	-15.0	N.A.	13.6	19.1	0.2
Charlottesville	2.0	26.9	58.8	-3.6	N.A.	9.6	2.3	5.4	4.5	-8.4
Danville	2.1	N.A.	6.3	-3.8	N.A.	6.9	1.0	5.6	N.A.	0.9
Franklin	8.4	N.A.	4610.4	1.6	0.4	-24.0	N.A.	-15.3	4.5	88.4
Fredericksburg	9.4	6.2	73.6	N.A.	8.9	-5.5	N.A.	5.9	14.4	18.1
Harrisonburg	1.8	35.8	96.0	N.A.	16.5	-3.5	N.A.	10.0	-7.5	2.7
Lynchburg	5.8	53.5	8.4	-2.0	N.A.	9.6	0.3	5.8	9.0	9.1
Newport News - Hampton	4.8	-0.4	-35.1	-3.1	9.0	21.7	3.3	8.1	-5.5	10.7
Norfolk - Va. Beach - Portsmouth	4.1	2.4	-0.6	2.3	9.0	2.1		0.1	3.2	9.6
Petersburg	2.4	-0.5	-87.0	N.A.	-2.1	-26.7	1.6	10.4	17.5	-1.8
Richmond	4.2	-4.4	-59.4	2.9	0.4	-4.1		6.7	9.8	6.3
Roanoke	6.5	27.4	-73.5	0.9	28.4	5.3	5.0	-29.0	8.3	4.4
Staunton	2.7	2.6	38.6	N.A.	-7.0	-4.9	-4.9	N.A.	-4.7	7.9
Williamsburg	11.0	0.8	-35.6	-1.0	N.A.	26.1	N.A.	23.0	-2.1	22.2
Winchester	-5.3	29.3	920.7	-0.4	10.5	-20.6	N.A.	-8.3	N.A.	-7.9

TABLE III

Percentage Change January - July from same period last year

CITY	CITY INDEX *	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	Jan.-June NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	Jan.-June RETAIL SALES ‡
The State		1.7	2.1	2.6	8.1	9.3	4.4	3.9	6.0	8.5
Alexandria	7.0	-4.5	12.6	3.2	N.A.	-1.7	8.8	8.4	8.3	13.4
Bristol	1.1	-7.4	38.0	-2.9	10.3	-5.9	4.1	4.8	-0.6	-0.3
Cape Charles - Exmore	4.7	-25.5	2.9	21.1	N.A.	-8.0	N.A.	5.1	1.7	6.3
Charlottesville	0.6	17.2	-56.6	0.9	N.A.	3.5	4.0	-0.7	2.2	-8.2
Danville	-1.6	N.A.	-52.8	-4.5	N.A.	-8.6	1.5	3.1	N.A.	0.6
Franklin	5.2	N.A.	704.9	0.3	1.5	-6.9	N.A.	-2.5	3.4	37.5
Fredericksburg	3.0	0.4	100.5	N.A.	7.6	2.2	N.A.	2.0	-4.4	15.0
Harrisonburg	5.2	16.7	53.3	N.A.	9.7	7.1	N.A.	5.0	1.8	5.7
Lynchburg	5.4	7.2	26.0	-1.5	N.A.	-1.4	1.0	3.6	16.1	3.9
Newport News - Hampton	7.5	-2.4	13.2	2.1	10.0	1.5	4.4	11.4	11.2	8.1
Norfolk - Va. Beach - Portsmouth	4.4	11.0	-4.4	3.2	11.7	0.7		-4.4	8.7	2.0
Petersburg	4.0	-7.2	-38.0	N.A.	-7.3	-13.2	2.0	3.4	18.4	6.4
Richmond	4.3	-3.2	41.0	3.0	4.4	-0.7		8.4	5.1	7.8
Roanoke	3.8	14.7	-20.0	1.5	8.5	3.3	5.1	4.1	3.0	2.0
Staunton	-0.8	10.4	143.0	N.A.	-2.0	0.9	N.A.	N.A.	-3.7	4.4
Williamsburg	10.4	-16.5	-22.1	20.7	N.A.	2.6	N.A.	8.0	3.4	24.0
Winchester	1.1	16.2	16.1	0.4	10.4	-2.1	N.A.	-3.1	N.A.	-0.2

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.

#Virginia Employment Commission data which lags behind current reports.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

⊏ Only total MSA data are available for these areas.

construction boom is ending. Demand for new houses remains high, a positive factor. However, the business and multi-family building demand is more questionable, in Virginia as well as nationally. The next two months will reveal whether sufficient overall demand exists to sustain construction growth through the remainder of 1985. **RLP**

First Quarter 1985 Income Growth

Our monthly indicators show current changes occurring in a variety of businesses and in nonagricultural employment. Those indicators so far in 1985 generally have revealed strong yet gradually slowing growth in Virginia. What has that growth meant in terms of the income received by Virginians? Income estimates are now available for at least part of 1985: the U.S. Department of Commerce released on August 1 their estimates for state personal income in the first quarter of 1985. It is informative as well as very encouraging to see how well they believe we fared, and how our growth compared to the rates for the region and the nation.

Table IV shows the first quarter's annualized rates of growth for total personal income and for payroll income in major sectors. (These growth rates are calculated by dividing the seasonally adjusted first quarter totals by those for the fourth quarter, raising that ratio to the fourth power to obtain the annualized growth factor, subtracting one, and then multiplying the results by one hundred to obtain an annualized growth rate stated in percentages.) These seasonally adjusted annual growth rates derived from the data for two consecutive quarters are quite sensitive to revisions in the data, so one must be wary of placing too much emphasis on these initially reported rates. Plus, the dollar amounts were not adjusted for inflation, which at the time was running at a 3.3 percent annual rate. Given these caveats, however, one still can take pride in what they reveal. The total personal income of Virginia residents grew in the first quarter at a 10.4 percent annual rate. By comparison, the growth rate in the Southeast Region was only 6.6 percent. This region, as defined by the Bureau of Economic Analysis in the Commerce Department, consists of 12 states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. Nationwide, total personal income rose at a 6.1 percent annual rate, over 4 percentage points less than Virginia's growth. A somewhat more reliable measure is nonfarm personal income, also reported in Table IV. Here, Virginia's growth rate was 10.8 percent, compared to 7.8 percent for the Southeast and 7.0 nationwide. By either measure, total personal income or nonfarm personal income, Virginia's gain was exceptional. Just how exceptional comes to light in a state by state comparison. By both measures, Virginia's income growth rate in the first quarter of 1985 was the **third highest among all 50 states.** Only Arizona and New Hampshire achieved higher income growth.

As we discussed last month, personal income is all income received by individuals, before Federal and state income taxes. Its major component is wages and salaries, but it also includes rents, interest, dividends and proprietors' income as well as social security receipts and welfare payments. If you single out the payroll income in major sectors, you have indicators which more closely parallel the changes in the dollar value of the State's output of goods and services. Virginia's manufacturing payrolls grew at a 13.9 percent rate in the first quarter, close to three times the 4.9 percent rate for both the Southeast and the nation. Our growth rate ranked second to Mississippi in the Southeast, and sixth nationally.

The construction sector had the highest annual growth rate, 36.0 percent, almost twice the national rate in the construction industry. Many other states had surges in construction during the first quarter, so Virginia's growth rate ranked only fourteenth nationwide. However, construction payrolls in the Southeast generally grew at a slower rate than the national average. The result was Virginia ranked second, to Kentucky, among the 12 southeastern states.

Virginia's renewed activity in mining produced a 23.9 percent annual growth rate in mining payrolls during the first quarter, a gain second only to West Virginia within the Southeast and the fifth best nationally. This industry still has a depressed level of employment, but the relatively large increase in earnings in the first quarter is a favorable sign.

The private trade and services sector includes wholesale and retail trade; finance, insurance and real estate; transportation, communications, and public utilities; and other private services. Therefore it accounts for the major part of wage and salary income in Virginia. The total payroll growth rate in this sector was 10.0 percent compared to an 8.7 percent average in the Southeast and a national rate of 7.4 percent. This sector has been the State's strength in recent years, so the large base already achieved explains why the income growth rate was somewhat below that of the other sectors. Other states which had not realized comparable growth in prior periods had higher growth rates in the first quarter, so Virginia's rate ranked fourth in the Southeast and tenth in the nation.

The government sector includes the wages and salaries of all Federal civilian employees and military personnel as well as state and local employees. Virginia's annual growth rate in total government payroll (primarily Federal) was estimated to be 14.3 percent in the first quarter. Here again, we exceeded the 10.8 percent rate in the Southeast and 10.0 percent national average. The Commonwealth's growth rate was the sixth highest among all states and tied Florida's rate for first in the Southeast.

The review of payroll income growth by major sectors indicates how Virginia achieved the 10.4 percent annual rate for total personal income. A strong trade and service sector and a surge in construction, complemented by payroll and output gains in the weaker manufacturing and mining sectors, capped by above average government (mainly Federal) wage and salary growth. The breadth of the increases across sectors placed us third among all states. Virginia's growth rate is slowing, so we are not likely to maintain that high a ranking for the year. However, the year-over-year personal income gain in 1985 still is likely to exceed 8 percent, an outstanding accomplishment in itself as well as relative to the nation's performance. **RLP**

TABLE IV Seasonally Adjusted Annual Growth Rates for Virginia, The Southeast and the United States Based on Percent Changes, 1984:IV to 1985:I

	Virginia	The Southeast	United States
Total Personal Income	10.4%	6.6%	6.1%
Nonfarm Personal Income	10.8	7.8	7.0
Payroll Income In:			
Manufacturing	13.9	4.9	4.9
Construction	36.0	15.6	19.7
Mining	23.9	8.2	2.0
Private Trade and Services	10.0	8.7	7.4
All Government	14.3	10.8	10.0

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THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 303 September, 1985

Business in Virginia August, 1985 Data

All of the economic indicators show gains this month, for the first time since the May issue's report on April's performance. That in itself is very favorable evidence of the continued economic strength of the Commonwealth. Particularly encouraging is the return of building permits to the plus column, a 6.6 percent increase in August. Construction employment has been at record levels recently, and the renewed growth in building permits offers a tentative sign that the construction industry will maintain high activity this fall. Another hopeful signal was the advance in growth rates for both electricity and water consumption. Weather of course plays a role here. But such a move in both indicators usually accompanies an increase in manufacturing output. Manufacturing has been a weak performer so far this year, but if factory output is accelerating then manufacturing employment gains will follow soon.

The other indicators reveal that the Commonwealth's major strengths are not deteriorating. The July nonagricultural employment compared to July 1984 rose 3.5 percent, only very slightly below the June growth of 3.6 percent. The gradual slowing of the employment growth rate appears to have ended, leveling off at a very healthy rate. That pace for the remainder of the year will give the State about a 4 percent annual gain in nonagricultural employment, well above the national average.

Retail trade generally showed improvement also. New car registrations were up 8.5 percent in August compared to 6.1 percent in July. Current dealer incentive offers are likely to produce another gain in new car registrations in September. The July taxable sales reports now available confirm last month's preliminary evidence that July was a very good month for retailers. Taxable sales rose 8.5 percent, more than double the national July-to-July growth of 4.2 percent in a fairly comparable measure, retail trade excluding the automotive group. Virginia's July gain also held the cumulative January-August advances in taxable retail sales at an 8.5 percent rate. Our own August sample of a set of Virginia retailers reported a 3.9 percent increase. Slightly below the July gain, with high variability across geographic areas as well as some large month to month variations by area, so nondurable goods demand still apparently is not consistently strong across all types of goods. However, the Statewide sample growth does imply that Virginia's overall taxable sales in August again grew at a higher rate than at the national level. Therefore the Statewide business and economic indicators are almost totally good news this month.

Among the eight Metropolitan Statistical Areas (MSAs) in the State, only two had gains in all of our indicators: the Norfolk-Virginia Beach-Newport News MSA (shown as two entries in the tables) and the Virginia portion of the Johnson City MSA, reported as the Bristol area. For the former, this is continuing evidence of the balanced growth which has been the key attribute of the Hampton Roads area for over a year. For the latter, August is the first month since January in which Bristol has shown across-the-board gains, hopefully a signal of higher growth to follow.

Only one of the other areas we survey achieved increases in all of the indicators: the Fredericksburg area. It has maintained a very balanced pattern of growth over time. In any one month there sometimes have been one or two negatives, a natural result since monthly series are much more volatile than quarterly values. However, the occasional weaknesses have repeatedly reversed themselves very quickly, yielding highly consistent growth over spans of two or three months. The casual reader may review some of their present growth rates and think they are not exceptional. As percentages, such as the 3.4 percent taxable sales advance in July, that is correct. However, bear in mind the base to which the

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change August, 1985 from August, 1984

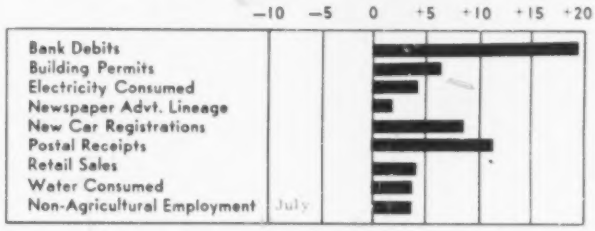

Chart II

City Indices

Percentage Change August, 1985 from August, 1984